

Message Text

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TO SECSTATE WASHDC 8764

INFO USLO PEKING

AMEMBASSY TOKYO

C O N F I D E N T I A L 11643

DEPARTMENT PASS TREASURY AND FEDERAL RESERVE

E.O. 11652: GDS

TAGS: EFIN CH

SUBJECT: HAUGE'S COMMENTS ON VISIT TO CHINA

1. GABRIEL HAGUE, CHAIRMAN OF THE BOARD OF MANUFACTURERS HANOVER TRUST COMPANY AND ONE OF THE OFFICERS OF THE NCUSCT CALLED ON CONSUL GENERAL NOVEMBER 20. HE DESCRIBED BOTH HIS OWN VISIT TO PEOPLE'S BANK OF CHINA AS AN EMISSARY OF AMERICAN BANKERS ASSOCIATION AS WELL AS GIVING MORE GENERAL PERSONAL IMPRESSIONS ON TRADE PROSPECTS BASED ON ALL HIS MEETINGS WITH CCPIT AND GOVERNMENT OFFICIALS. COMMENTS ARE ARRANGED BY TOPIC.

2. INSTITUTIONAL RELATIONSHIPS. HAGUE READ AND GAVE CHIAO PEI HSIN, ACTING MANAGER PEOPLE' BANK OF CHINA LETTER FROM PRESIDENT, AMERICAN BANKERS ASSOCIATION. LETTER CONTAINED GREETING, EXPRESSION OF NEED BUILD BRIDGES AND INVITATION FOR FINANCIAL AUTHORITIES TO VISIT US. HE RECIEVED NO RESPONSE THEN AND DOUBTED HE WOULD LATER. PRINCIPAL CONDITION FOR NORMAL RELATIONSHIPS WITH US BANKERS WAS SETTLEMENT OF CLAIMS FROZEN ASSETS PROBLEM, BLAME FOR WHICH WAS PLACED ON US. (THIS EXCHANGE TOOK PLACE ON CONFIDENTIAL

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EVE OF SECRETARY'S VISIT).

3. FORWARD RMB/DOLLAR SALES. HAUGE RAISED QUESTION OF NEED FORWARD RMB/DOLLAR SALES TO FACILITATE TRADE. CHIAO LAUNCHED INTO LONG LECTURE ON VIRTUES OF RMB WHICH TOOK UP MUCH OF THE INTERVIEW CONTRASTING IT WITH WEAKNESS OF DOLLAR. HAUGE WAS STRUCK BY CHIAO'S GRASP OF FOREIGN EXCHANGE MARKETS (HE HAS BEEN WITH BANK 41 YEARS) BUT REGARDED SPEECH AS GOOD "DIALECTIC" RATHER THAN AN ANSWER.

4. CREDIT. HAGUE WAS TOLD THAT BOC HAD NOTHING TO DO WITH CREDIT. THIS WAS A MATTER BETWEEN FOREIGN SUPPLIERS AND STATE TRADING CORPORATIONS. AS TO LOANS IN FORM DEPOSITS IN BOC, CHIAO'S RESPONSE WAS CONFINED TO COMMENT THAT BANKS THAT HAD RELATIONSHIPS KEPT DEPOSITS IN EACH OTHER'S INSTITUTIONS. (HAGUE HAD INFORMATION, DOCUMENTED ONLY IN CASE OF CANADA, THAT EUROPEAN, CANADIAN AND JAPANESE BANKERS HAVE DEPOSITS EARNING 6 PERCENT-6.5 PERCENT INTEREST WITH BANK OF CHINA. JAPANESE SOURCES HAVE DENIED TO US THAT THERE ARE ANY PRESENTLY BUT ARE NEGOTIATING TO PLACE THEM.

5. PRC BALANCE OF PAYMENTS. HAUGE HAD IMPRESSION THAT PRC COULD PAY FOR ITS IMPORTS WITH EXPORTS, SHORT-TERM CREDIT AND POSSIBLY DRAWING ON RESERVES AND THAT IF THOSE MEANS OF FINANCE PROVED INSUFFICIENT THEY WOULD CUT BACK ON IMPORTS. THEY DID NOT APPEAR TO BE RELYING ON OIL AS A MAJOR EXPORT COMMODITY. HE SAW NO EVIDENCE OF GEARING INDUSTRY SPECIFICALLY FOR EXPORT.

6. IMF MEMBERSHIP. HE DOUBTED THEY WANTED TO JOIN BOTH BECAUSE DISCLOSURE REQUIREMENTS WERE TOO HIGH AND LACK OF INTEREST IN IBRD AS SOURCE OF FUNDS. THEY WANT ONLY TO EXPEL GRC.

7. TRADE WITH US. THEY WERE MOST INTERESTED IN MFN AND ASKED NCUSCT WHAT IT HAD DONE TO SUPPORT THEIR CASE. THEY HARPED ON 16/1 UNFAVORABLE RATIO OF TRADE TO CHINA. THEY WANTED TO SELL MORE BUT HE DOUBTED THEY WANTED TO BUY AT HIGHER LEVEL. HE THOUGHT WE MIGHT BE SUPPLIER OF LAST RESORT EXCEPT IN SOME AGRICULTURAL COMMODITIES OR WHERE THEY HAD PARTICULAR RESPECT FOR US TECHNOLOGY.

8. OVERALL IMPRESSION. HE THOUGHT MAO WOULD SACRIFICE ECONOMY AGAIN IF HE THOUGHT WAS NECESSARY FOR ANOTHER CULTURAL REVOLUTION.
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